

**Introduced by Senators Morrow, Aanestad, Ackerman, Battin,
Denham, Hollingsworth, Knight, Margett, McClintock, Oller,
and Poochigian**

February 21, 2003

An act to amend Section 353.1 of the Public Utilities Code, relating to energy resources.

LEGISLATIVE COUNSEL'S DIGEST

SB 1015, as introduced, Morrow. Distributed energy resources.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. The commission must require every electrical corporation under the operational control of the Independent System Operator as of January 1, 2001, to modify its tariffs so that customers that install distributed energy resources, as defined, are served under rates, rules, and requirements identical to those of a customer within the same rate schedule that does not use distributed energy resources, and to withdraw any provisions in otherwise applicable tariffs that activate other tariffs, rates, or rules if a customer uses distributed energy resources. "Distributed energy resources" are defined as any electric generation technology that (a) commences initial operation between May 1, 2001, and June 1, 2003, except that gas-fired distributed energy resources that are not operated in a combined heat and power application must commence operation no later than September 1, 2002, (b) is located within a single facility, (c) is 5 megawatts or smaller, (d) serves onsite loads or over-the-fence transactions, (e) is powered by any fuel other than diesel, and (f) complies with emission standards and guidance adopted by the State Air Resources Board.

This bill would revise the definition of “distributed energy resources” by deleting the requirement that the electric generation technology commence operation between May 1, 2001, and June 1, 2003, and the requirement that gas-fired distributed energy resources that are not operated in a combined heat and power application must commence operation no later than September 1, 2002. Because violation of an order, decision, or rule of the commission is a crime under existing law, the bill would impose a state-mandated local program by changing the definition of a crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares each of the
- 2 following:
- 3 (a) California is currently experiencing a sustained economic
- 4 downturn.
- 5 (b) According to the Legislative Analyst, during the last two
- 6 years California has lost over 230,000 manufacturing jobs.
- 7 (c) According to the Milken Institute, in a study conducted in
- 8 early 2002, California has the highest overall cost of doing
- 9 business in the United States 32 percent above the national average
- 10 and California’s costs of doing business are the highest in the
- 11 western United States.
- 12 (d) California’s high cost of doing business is a significant
- 13 contributor to the sustained economic downturn of the state’s
- 14 economy.
- 15 (e) The state’s budget crisis of 2001 and 2002 will worsen if
- 16 employers continue to leave the state and prospective employers
- 17 are discouraged from siting operations in California because of a
- 18 bad business climate.



(f) Promoting investment in distributed energy resources allows businesses the opportunity to control costs and obtain predictability over their costs of doing business.

(g) Promoting investment in distributed energy resources will lessen the chances of electricity shortages in the future.

SEC. 2. Section 353.1 of the Public Utilities Code is amended to read:

353.1. As used in this article, “distributed energy resources” means any electric generation technology that meets all of the following criteria:

~~(a) Commences initial operation between May 1, 2001, and June 1, 2003, except that gas-fired distributed energy resources that are not operated in a combined heat and power application must commence operation no later than September 1, 2002.~~

~~(b)~~ Is located within a single facility.

~~(c)~~

(b) Is five megawatts or smaller in aggregate capacity.

~~(d)~~

(c) Serves onsite loads or over-the-fence transactions allowed under Sections 216 and 218.

~~(e)~~

(d) Is powered by any fuel other than diesel.

~~(f)~~

(e) Complies with emission standards and guidance adopted by the State Air Resources Board pursuant to Sections 41514.9 and 41514.10 of the Health and Safety Code. Prior to the adoption of those standards and guidance, for the purpose of this article, distributed energy resources shall meet emissions levels equivalent to nine parts per million oxides of nitrogen, or the equivalent standard taking into account efficiency as determined by the State Air Resources Board, averaged over a three-hour period, or best available control technology for the applicable air district, whichever is lower, except for distributed generation units that displace and therefore significantly reduce emissions from natural gas flares or reinjection compressors, as determined by the State Air Resources Control Board. These units shall comply with the applicable best available control technology as determined by the air pollution control district or air quality management district in which they are located.

1 SEC. 3. No reimbursement is required by this act pursuant to
2 Section 6 of Article XIII B of the California Constitution because
3 the only costs that may be incurred by a local agency or school
4 district will be incurred because this act creates a new crime or
5 infraction, eliminates a crime or infraction, or changes the penalty
6 for a crime or infraction, within the meaning of Section 17556 of
7 the Government Code, or changes the definition of a crime within
8 the meaning of Section 6 of Article XIII B of the California
9 Constitution.

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